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FISCAL IMPACT STATEMENT

LS 7089

BILL NUMBER: HB 1005

NOTE PREPARED: Feb 3, 2014

BILL AMENDED: Jan 30, 2014

SUBJECT: Government Reduction.

FIRST AUTHOR: Rep. McMillin

FIRST SPONSOR: Sen. Schneider

BILL STATUS: As Passed House

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Midwest Greenhouse Gas Reduction Accord*: This bill terminates Indiana's participation in the Midwest Greenhouse Gas Reduction Accord as of a certain date.

Certain Outstanding Warrants: The bill repeals the law concerning cancellation and reissuance by the Auditor of State of certain outstanding warrants.

Prohibition on Construction of Fences and Bleachers: The bill repeals law concerning a prohibition on construction of fences and bleachers on Evansville State Hospital property.

Administrative Rules and Procedures: The bill requires an administrative agency to submit certain information to the Office of Management and Budget (OMB) and receive a certain determination from the director of OMB before pursuing a rulemaking action.

Violent Crime Victims Compensation Fund: The bill removes provisions allowing for violent crime victims compensation funding for loss or disability of a law enforcement animal.

Attorney General Reports: The bill requires the Attorney General to publish reports concerning legal actions involving the state.

Interest Rates for Certain State Payments: The bill specifies the rate of interest related to certain state payments is based on the average yield on state General Fund money.

Various Motor Vehicles Provisions The bill amends or repeals certain motor vehicles provisions, including

references to street cars, operation of certain buses, motorcycle permits, and suspension of driving privileges.

Various Family and Social Services Provisions: The bill removes funds used by the Division of Family Resources in relation to programs for individuals with developmental disabilities from the list of funds to which the law concerning the financial services group of the Office of the Secretary of Family and Social Services applies.

The bill repeals the law concerning providing for continuance of prosecution, treatment, and probation for individuals charged with or convicted of felonies related to drug or alcohol abuse and supervised by the Division of Mental Health and Addiction (DMHA). It repeals provisions for voluntary and involuntary addiction treatment by the DMHA.

Environmental Rulemaking Boards: The bill changes the membership of the Underground Petroleum Storage Tank Financial Assurance Board (FAB). It makes corrections to references to defunct environmental boards and language suggesting the existence of multiple boards with environmental rulemaking power.

Repeal of the Responsible Property Transfer Law: The bill repeals the Responsible Property Transfer Law.

Repeal of the Pest Control Compact: The bill repeals the Pest Control Compact.

Various Labor Provisions: The bill strikes a provision allowing the Commissioner of Labor to obtain assistance from the State Department of Health with respect to an unsafe or unsanitary workplace. It repeals the law concerning homecare consumer and worker protection. It repeals the law concerning payroll bonds. It repeals a provision allowing a terminating employee to request a letter from the employer. The bill also changes the frequency of Occupational Safety Standards Commission meetings.

License for Distress Sales: The bill repeals a provision regulating distress sales.

Duplicate Applications: The bill removes a provision requiring foreign and alien insurers to file applications in duplicate.

The bill makes conforming amendments.

Effective Date: (Amended) Upon passage; July 1, 2014.

Explanation of State Expenditures: (Revised) *Summary* - This bill is expected to have an indeterminate impact on the rule making process for state agencies and potentially reduces the number of administrative rules that may be adopted.

The bill is expected to minimally reduce the administrative workload and/or costs of the following agencies and divisions: Division of Mental Health and Addiction; Indiana Department of Environmental Management; Indiana Department of Labor; Clerk of the Circuit Court; Indiana Department of Insurance.

The bill also requires the Attorney General to provide reports concerning legal actions brought by or against the state on the Indiana Transparency web site, which is expected to increase staff workload.

Additional Information -

Administrative Rules and Procedures: The bill has indeterminate fiscal impact on the rule making process for state agencies and potentially reduces the number of administrative rules that may be adopted. The bill would require an agency to provide preliminary information to the Office of Management and Budget (OMB). Some of the information, the fiscal impact analysis or cost benefit analysis for example, is already required later in the rule making process. If the OMB director based on the criteria for allowable rules established in the bill, may determine that a rule making should not go forward. This would reduce the number of rules that go through the full rule making process, saving agencies workload.

(Revised) Attorney General Reports: This bill requires the Attorney General's Office to prepare a report no later than 30 days after a settlement or a judgment concludes a legal action brought by or against the state. The reports would be made available on the Indiana Transparency web site. This requirement will likely increase staff workload to compile the reports.

Violent Crime Victims Compensation Fund: This provision would only impact state expenditures to the extent that it would not allow future reimbursement to come from the fund for the recovery of investment in law enforcement animals killed or permanently disabled in the line of duty.

Compensation for a killed or maimed law enforcement animal from the Violent Crime Victim Compensation Fund was adopted by the General Assembly in P.L. 161-2013. In the six months that this provision has been in law, there have been no payments awarded from the fund for a killed or disabled law enforcement animal. The fund had a balance of \$3.2 M at the close of FY 2013.

Various Family and Social Services Provisions: This bill is expected to decrease expenditures for the Division of Mental Health and Addiction (DMHA) by \$720 annually because the DMHA will no longer be required to evaluate individuals to determine if they are suitable candidates for a substance abuse diversion program. The bill will also decrease DMHA workload to monitor individuals who are participating in substance abuse diversion programs. Decreases in workload are reported to be minimal.

Between FY 2009 and FY 2013, a total of 36 individuals were evaluated for participation in the substance abuse diversion program by community mental health centers. The reported state costs for these evaluations was \$3,600, or an average of \$720 per year during the five-year period.

Environmental Rulemaking Boards: This bill decreases the membership of the Underground Storage Tank Financial Assurance Board (FAB) from 16 members to 9 members. This provision could result in a reduction in committee expenses paid from the Excess Liability Trust Fund by reducing the membership of the board. However, a reduction in expenses could be offset to the extent that more meetings may occur if a quorum could be established more easily.

The FAB was established to adopt rules to regulate payment of claims from the Excess Liability Trust Fund. The board met once during 2012 and held no meetings during 2013. During FY 2012, the board had expenses of about \$150 paid from the Excess Liability Trust Fund.

Repeal of the Responsible Property Transfer Law: Repealing the Responsible Property Transfer Law (IC 13-25-3) will minimally reduce administrative workload for the Indiana Department of Environmental Management (IDEM). The current law requires IDEM to provide information in response to inquiries about possible environmental defects in properties. Also, a disclosure document is filed with IDEM by the transferor of the property. According to IDEM, on average, about 20 to 30 disclosure documents are filed

each year. The Responsible Property Transfer Law requires disclosure when the following types of property are to be transferred:

- (1) property that is the site of any underground storage tank (UST) for which notification is required under UST laws;
- (2) property that is listed on the U.S. Environmental Protection Agency's Comprehensive Environmental Response, Compensation and Liability Information System list;
- (3) property subject to reporting under Section 312 (hazardous chemical storage reporting requirements) of the Federal Emergency Planning and Community Right-to-Know Act.

Generally, the disclosure document must be delivered to the parties involved in the transfer of property no later than 30 days before the transfer is finalized. The disclosure form can be obtained through IDEM's or the Commission on Public Records' web sites.

Repeal of the Pest Control Compact: The Interstate Pest Control Compact was dissolved in 2013. Repealing the state statute enacting the Pest Control Compact removes obsolete language and should have no fiscal impact.

Various Labor Provisions: The bill removes several obligations of the Indiana Department of Labor (DOL), including requirements that DOL collaborate with the State Department of Health on issues of workplace sanitation and health, and provide oversight/regulation of home care consumers/workers, payroll bond issues, and termination letters from employers to employees. Additionally, the bill requires only one yearly meeting of the Occupational Safety Standards Commission, as opposed to the current required four meetings per year. The provisions of the bill will reduce administrative costs of DOL by an indeterminate amount.

License for Distress Sales: The bill would reduce the workload of the Clerk of the Circuit Court for issuing licenses for "going out of business" type sales, but minimal fiscal impact is expected. [Under current law, the clerk receives an application and notes on the license effective date. The clerk is to have on file an inventory of the merchandise for sale, and to report any violations for prosecution.]

Duplicate Applications: Removing the provision requiring foreign and alien insurers to file applications in duplicate will result in a reduction of staff time for the Indiana Department of Insurance.

Explanation of State Revenues: *Interest Rates for Certain State Payments:* The bill requires the Department of State Revenue to compute the interest rate for the underpayment of tax and excess tax payments based on the prior state fiscal year's average investment yield on state General Fund money. Currently, the interest rate is based on the entire state portfolio, excluding pension fund investments. This change will result in an indeterminable decrease in state revenue because the yield on state General Fund investments is generally much smaller than the yield of the entire portfolio. This provision is effective beginning in FY 2015. [The rate earned on the state General Fund for FY 2013 was .21% and the rate earned on the total portfolio of all funds excluding the pension fund was .54%.]

The bill also requires the Office of Medicaid Policy and Planning (OMPP) to compute the interest rate for payments erroneously recovered by the OMPP from a provider based on the prior state fiscal year's average investment yield on state General Fund money. Currently, the interest rate is based on the entire state portfolio, excluding pension fund investments. This change could result in an indeterminable decrease in the amount of interest the state would pay to Medicaid providers. The bill leaves in place the existing interest

rate computation for interest payments due from providers as a result of Medicaid overpayments. The net result would be an indeterminable decrease in interest expense for the Medicaid program while interest revenue would remain unchanged.

Various Penalties: This bill repeals the following penalties, potentially reducing revenue deposited in the state General Fund, the Common School Fund, and revenue to the Department of Labor.

Current Penalty	Imposed for:	Impact of Repeal
Class A misdemeanor	Violations of the requirements for a distress sale. [IC 25-18-1-19]	Potentially reduces fine revenue deposited in the Common School Fund.
Class C misdemeanor	School bus drivers failing to stop at railroad crossings. [IC 9-21-12-7]	Potentially reduces revenue deposited in the state General Fund. The maximum judgment for a Class C misdemeanor is \$500.
Class A infraction	Knowingly making a false statement in a disclosure document. [IC 13-25-3-11]	Potentially reduces revenue deposited in the state General Fund. The maximum judgment for a Class A infraction is \$10,000.
Class A infraction	Failure to record the disclosure document to a party involved in the transfer of property. [13-25-3-12]	Potentially reduces revenue deposited in the state General Fund. The maximum judgment for a Class A infraction is \$10,000.
Class B infraction	Failure to deliver the disclosure document to a party involved in the transfer of property. [IC 13-25-3-10]	Potentially reduces revenue deposited in the state General Fund. The maximum judgment for a Class B infraction is \$1,000.
Class B infraction	School bus drivers failing to make end-trip inspections. [IC 9-21-12-18(d)]	Potentially reduces revenue deposited in the state General Fund. The maximum judgment for a Class B infraction is \$1,000.
Class C Infraction	Failure to file payroll bond. [IC 22-2-11-3]	Potentially reduces revenue deposited in the state General Fund. The maximum for a Class C infraction is \$500.
Class C Infraction	Failure to provide former employee with termination letter, upon request from the employee. [IC 22-6-3-2]	Potentially reduces revenue deposited in the state General Fund. The maximum for a Class C infraction is \$500.
Civil Penalty	Home care placement agencies failing to provide a worker notice or consumer notice. [IC 22-1-5-19]	Potentially reduces revenue to the Department of Labor. The penalty is not to exceed \$1,000 against the placement agency.

Explanation of Local Expenditures: *Various Motor Vehicles Provisions:* There are no data available to indicate how many fewer offenders may be housed in a county jail as the result of repeal of the Class C misdemeanor for school bus drivers failing to stop at railroad crossings. The maximum term of imprisonment for a Class C misdemeanor is up to 60 days.

License for Distress Sales: There are no data available to indicate how many fewer offenders may be housed in a county jail as the result of repeal of the Class A misdemeanor for violations concerning

licenses for distress sales. The maximum term of imprisonment for a Class A misdemeanor is up to one year.

Explanation of Local Revenues: *Violent Crime Victims Compensation Fund:* Local law enforcement agencies would no longer be able to request from the fund to recoup training and other costs associated with a law enforcement animal that has been killed or permanently maimed in the line of duty.

Repeal of the Responsible Property Transfer Law: Repealing the Responsible Property Transfer Law would result in a reduction in revenue from county recorder's fees. Currently, the disclosure documents are filed with county recorders. [Recording fees, detailed in IC 36-2-7-10, begin at \$6 for the first page and \$2 for each additional page that is not larger than 8.5 inches by 14 inches.]

License for Distress Sales: Fee revenue may be reduced by repealing the licensing of distress sales. The fees for a distress sale license varies between \$40 and \$150 based on the value of the inventory. A license is valid for 60 days and may be renewed. There are no data available to indicate how much is fee revenue is received by court.

Repeal of Various Penalties: This bill repeals various penalties which are provided in a table in the *Explanation of State Revenues* section. If the repeal of these penalties results in fewer court actions occur and guilty verdicts not entered, local governments would not receive revenue from court fees assessed in a court of record.

State Agencies Affected: Office of Management and Budget; Indiana Department of Environmental Management; Family and Social Services Administration; Indiana Department of Labor; State Department of Health; Indiana Department of Homeland Security; Indiana Department of Insurance; Circuit court clerks; Department of State Revenue; Criminal Justice Institute; Attorney General; Law enforcement agencies seeking future compensation for a law enforcement animal killed or permanently disabled in the line of duty.

Local Agencies Affected: County recorders. Trial courts, local law enforcement agencies.

Information Sources: Brian Rockensuess, Indiana Department of Environmental Management, 317-234-3386; Tyler Ann McGuffee, Indiana Department of Insurance, 317-234-7733; Joe Fistrovich, Controller, Indiana State Budget Agency, 317-232-2974; David Miller, Office of the Attorney General; Mara Snyder, Department of Homeland Security, msnyder@dhs.in.gov.

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